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*testimony of DC * before
House Foreign Affairs Comm.*

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Dr. Eaton, Members of the Committee:

As this is the first formal appearance of any member of the Central Intelligence Agency before your Committee, and as the Agency is a very new one, perhaps it might be best if I sketch very briefly what the Agency is supposed to do.

By Executive letter of 22 January 1946, President Truman established the National Intelligence Authority, consisting of the Secretaries of State, War and the Navy and his personal representative, Admiral Leahy, to direct the activities of the Central Intelligence Group. *established on the same date.* This arrangement continued until the passage last summer of the National Security Act of 1947. That Act established a National Security Council, the function of which is to advise the President on the integration of foreign, domestic and military policies relating to the national security. The Council is to be presided over by the

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Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

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SECRET

President himself, or by any member he may designate.

Its membership is composed of the President, the Secretaries of State, Defense, the Army, the Navy, the Air Forces and the Chairman of the National Security Resources Board. At its first meeting, the Council passed a resolution that the Director of Central Intelligence should be present at all of its meetings. The National Security Act of 1947 established the Central Intelligence Agency directly under this National Security Council which has general authority for directing the planning, development and coordination of all Federal foreign intelligence activities. The Central Intelligence Agency, ~~therefore,~~ replaced the old Central Intelligence Group. ~~There are occasionally~~ ^{occasionally arise} two misapprehensions regarding our position in the Government, and I have given you this little background so that you may see that we fall neither within the State Department on the one hand, nor within

SECRET

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

National
the/Military Establishment on the other, but come as an
independent agency immediately under the direction of the
National Security Council.

also *Mr. Chairman,*
I would like to say just a few words about our
functions, as it may help to indicate them prior to your
questioning.

The National Security Act sets forth the functions
of the Agency, as Congressman Judd can tell you, for he
was of the greatest assistance in drafting this part of
the law in his capacity as a Member of the House Committee
on Expenditures, ~~and~~ *we* are greatly indebted to him for
his careful thought in this matter last summer. In dis-
cussing functions, let me point out that the jurisdiction
of the Agency is ~~strongly~~ strictly in the field of the
foreign intelligence activities of the United States.
The law specifically provides that we have no ~~jurisdiction~~
police or law-enforcement powers or internal security

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

SECRET

functions. Nor do we want anything to do with the domestic picture. That is strictly within the jurisdiction of the FBI. I cannot emphasize too strongly the fact that Central Intelligence deals only with the foreign intelligence activities of the United States.

Secondly, I want to emphasize, in connection with functions, that we ^{furnish} ~~supply~~ intelligence to the President, the Secretaries of State, Defense and other high officials of the Government who need this information to formulate policy. But our Agency does not make policy, has nothing to do with the making of policy and should have nothing to do with the making of policy. We are strictly a fact-finding organization. Any intelligence agency which seeks to make policy itself will soon be slanting all of its facts toward the policy which it seeks to achieve. So in responding to your Chairman's invitation to appear before your Committee, I wish you would bear in mind the fact that any information which I give are the facts as we see them

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SECRET

and not ^{an} attempt to uphold or oppose any given policy, or point of view, or predilection.

Finally, I would point out that our primary function is to coordinate the foreign intelligence activities of the United States with an eye to preventing overlapping and wasteful duplications. By agreement with the various agencies, we are attempting to assign the correct intelligence functions to the proper agencies. In other words, the intelligence staff of the Department of the Army should be concerned with military intelligence rather than political or economic intelligence. The intelligence staff of the State Department should have as its primary mission political and economic intelligence and rely upon the Department of the Army to furnish it with such military intelligence as it would need in reaching its decisions. Similarly, with the Navy, ~~and~~ ^{and others.} the Air Forces, [^] The coordination of these intelligence activities will go a long way in eliminating duplications

SECRET

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

- 6 -

and insuring that the right departments and the right people have the right information at the right time.

Now, where does this information come from? In the first place, it comes from all of those overt collectors in the field, such as the members of the Foreign Service, commercial ~~attaches~~ ^{and} agricultural attaches, military, ~~attaches~~, naval, ~~attaches~~, and air attaches.

All of these people are continually pouring back into their departments vast quantities of information, ^{covering every field of endeavor} which their ~~the~~ departments need for their day-to-day operations in their normal spheres of activities. This material we call departmental intelligence.

The second great source of intelligence information are the untold volumes of material which comes from books, magazines, technical and scientific surveys, photographs, commercial analyses, newspapers, radio broadcasts and general information from people with ~~the~~

military, political, economic, commercial, financial, agricultural, ^{Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7} ~~and~~ technical among others — an ~~endless~~ ^{inexhaustible} supply —

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knowledge of affairs abroad. The quantities of this material are staggering, and what its processing requires in the departments where the basic research is done is long, hard, careful and painstaking application in digging out the pertinent material from the mass. It involves the process of systematic and critical examination of information for the purpose of determining its usefulness, credibility and accuracy. It involves the process of synthesis of the particular intelligence information with all available related material. It involves the process of determining the probable significance of evaluated intelligence. ^H I stated before that all of this material which comes back to the appropriate departments is used by those departments in developing that departmental intelligence which is necessary to them for their day-to-day operations. This material ^{be} comes of importance to Central Intelligence in our preparation of national intelligence. National intelligence is integrated

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SECRET

departmental intelligence which covers the broad aspects of national policy and national security, is of concern to more than one department or agency and transcends the exclusive competence of a single department or agency. The Director of Central Intelligence is charged with the production and dissemination of national intelligence.

I have stated above what are the main sources of this intelligence, namely, the material returned to this country by the Foreign Service and the attache system, and the painstaking, teeth-pulling of information from masses of available material. This supplies about 75% of our information. Included in this, I might add, is the monitoring of foreign voice ^{broadcasts} ~~radio~~ comprising news ~~cast~~ ~~broadcasts~~ and propaganda broadcasts from abroad. This continues to be an increasingly important source of information. We monitor about two million words a day and turn out a daily booklet of the most important material, copies of which are furnished to your Committee

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SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

completed by [unclear] means I have just outlined,

daily. With 75% of the picture showing the capabilities and potentials of foreign countries, there are still gaps and omissions, and to fill these we must resort to clandestine and covert methods. These are over-publicized and over-dramatized, but unfortunately are also quite necessary. This ^{additional} 15% brings our total knowledge up to approximately 90%. At this point, by deduction, we can get perhaps 5% more. The final 5% is most probably unattainable as it consists of ideas and policies not even formulated, existing only in the minds of the leaders of countries abroad. However, the 95% we do have should give within narrow limits the potential, the capabilities and the probable and possible intentions of our targets.

I have given this background, Mr. Chairman, so that in this, our first appearance before your Committee, you might know exactly our position in the Government and what we are trying to do. I would like now to pass briefly to a very general statement on world conditions as we see

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

SECRET

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

- 10 -

them. I do this with the greatest humility, knowing that what I say is the result/^{not}of my personal conclusions, but rather the result of the long and laborious and painstaking work of the members of my Agency in exercising what to them is a solemn trust, namely, of placing the best information (possible) before those who have need of it. In my judgment, no one has more need of information in these trying times than the Members of this Committee, on whom rests in part decisions which will affect the future not only of all of us, but the entire world for years to come. I might say parenthetically that those products of your Committee which I have seen have been wonderfully good, and have been eagerly sought by my staff. I am almost embarrassed by the number of copies which have been necessary for us to request of Mrs. Bolton's Sub-committee's magnificent study of World Communism.

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

- 11 -

The grave situation in Western Europe presents a picture of two gigantic conflicting forces. On the one hand we have the United States seeking to promote the recovery of Western Europe by economic support and aid to those countries in the Marshall Plan area. On the other hand we have the over-riding objective of Soviet policy, which is to defeat the European Recovery Program without incurring the risk of war. Russia~~an~~ is seeking to defeat this Program because it knows that its defeat will mean the type of ultimate chaos in Western Europe which will be fertile ground for the breeding of Communist domination. By any show of power short of war, the Russians seek to highlight the futility of democratic action, which of course they lump under the heading of Fascism or Right-Wing Reaction. In the furtherance of their aim to defeat recovery in Western Europe in the last fortnight, they have taken Czechoslovakia

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7
- 12 -

by quasi-legal methods, evidently feeling that neither time nor the electoral process in Czechoslovakia would be on the side of the Soviets. They have made demands on little Finland for a military alliance, and Finland's economic and geographic position is such that their's can only be a delaying tactic. The ^{next} ~~necessary~~ Soviet target is the Italian elections of 18 April. ~~And~~ ^{This} is a target which merits our most serious consideration. Italy appears to hold the key to Communist prospects of disrupting the European Recovery Program. Here the Communists have the best chance of regaining admission to the government through the electoral process, or, should they lose, of over-throwing it through armed insurrection. Following unsuccessful probing experiments with political strikes in France and Italy in December 1947, the Italian Communists abandoned political strikes and now appear to be making a determined effort to win a plurality for the "people's block" in the April elections.

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7
SECRET

SECRET

Were the elections held today, the Communists would probably fail in this objective. A further reduction in rations or the failure to implement ERP prior to the expiration of the interim aid grant on 1 April, might give the "people's block" a plurality in the new assembly. In any event, the possibilities of the "people's block", Communists and Left-Wing Socialists, securing an embarrassing percentage of the assembly seats to an extent which would make their exclusion from the government impossible, is one which must be faced in your deliberations. It is probable that a Communist insurrectionary attempt, if made, will not take place until after an unfavorable election result and in any event will occur only on orders from the Kremlin. The Italian government's capabilities for putting down a general insurrection remain uncertain unless in the meantime the Italian Armed forces are adequately equipped and supplied.

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SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

Anything approaching a Communist victory in Italy might have serious repercussions in France. The life of the Schuman Government is peculiarly dependent upon the success of its financial measures and upon the timely passage by our Congress of the European Recovery Program. The French Communists still possess the capabilities of retarding French economic recovery through strikes and sabotage, but it now seems probable that they will subordinate any plan for serious disruptive activities to the exigencies of the Communist program in Italy, unless dissensions within the present French Cabinet should provide them with a fortuitous opportunity. The present Cabinet in France has probably survived the devaluation and other crises only because neither the Socialists nor the deGaullists were prepared to face the consequences of the over-throw of the present government.

In Germany the USSR has continued to consolidate its control in their zone, and at the present time have

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

SECRET

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

- 15 -

eliminated practically all opposition to the hand-picked regime which they have installed. Much hope for European recovery rests upon the recovery of the Western Zone of Germany, and unless the food shortages are quickly alleviated, the continued strikes may seriously affect industrial production. In Austria it appears, at the present time, that the USSR will protract negotiations, at least until the prospects for the European Recovery Program are more clearly defined. They will seek to gain concessions on other outstanding issues from the Western allies and the Austrian government.

As far as it can be estimated by us, there are four factors on the side of the West which might affect Soviet policy, particularly in Western Europe. The first of these is the unlikelihood of an imminent economic collapse of the United States or our reverting to the doctrine of isolation. The second, ~~are~~^{is} indications, such as the report of the President's Air Policy Committee

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

SECRET

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

and the statements before Congress concerning the alternatives to the European Recovery Program, that a continuation of present Soviet policies will lead to the rearmament of the United States. The third, is Bevin's proposal for a European union, with its implications of a Western block bound by military as well as economic ties and supported by the US. The fourth, is the basic economic weakness of the USSR relative to the US in terms of military potential for a global war.

In turning to Greece one should note that the support to the Greek rebels by the satellite states is being openly manifested in vitriolic propaganda against the Athens government and its "imperialistic" US supporters and in public drives to collect clothing and supplies for what the satellites term the "democratic" army. There are further indications that greater satellite military aid will be forthcoming, particularly with reference to the supply of technical equipment. While

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

SECRET

SECRET

Approved For Release 2003/07/27 : CIA-RDP80R01731R001400150008-7

- 17 -

the guerrillas have made no recent attacks on the scale of the battle for Konitsa in December, they have retained the offensive and have made sharp attacks over wide areas. The army of the Greek government, hampered by winter weather and uncertainty resulting from recent changes in the high command, has remained on the defensive. Stronger guerrilla attacks may be expected before the Greek army can begin a spring offensive. In Athens intense partisanship, despite the continuing national danger, renders uncertain the stability of the existing coalition government.

(NOTE TO THE DIRECTOR: Do you wish to add something about Turkey? There is nothing in CIA 5 on this subject, but the Committee will be interested due to Secretary Marshall's request for funds for aid to Greece and Turkey).

SECRET

Approved For Release 2003/07/27 : CIA-RDP80R01731R001400150008-7

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

Due to the steadfast manner in which Iran has sided with the US in the past, I think it of interest to point out to the Committee that Iranian Leftists and Nationalists hostile toward all foreign influences, are currently attempting to undermine the US Gendarmerie Mission, opposing the acceptance of US arms credit and agitating for the recovery of Bahrein. Intensified Soviet propaganda is attacking the American mission and arms credit as dangerous both to Iranian independence and to Soviet security. Soviet propaganda is also featuring the "deplorable" conditions in Azerbaijan. Under these pressures the present government, fearful of Soviet displeasure, is tending toward a policy of balance between the US and Russia, which may lead to a reduction of American influence and thereby to the promotion of Soviet objectives. (NOTE TO THE DIRECTOR: This was written 12 February. Has there been any change in the last month?)

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

SECRET

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

- 19 -

(NOTE TO THE DIRECTOR: The one paragraph in CIA 5 concerning China is too meager to use for drafting. From the material on China and Korea which gave you, could you outline what you wish to include in this statement?)

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In conclusion, I would like to touch for a minute on the general subject of world economic conditions. The production and the distribution of essential commodities are likely to continue to improve in most countries of the world in 1948, notwithstanding the probable recurrences of political and other disturbing influences such as those experienced during the past year. Implicit in any economic analysis is the stabilizing influence of the adoption and implementation of the European Recovery Program. The over-all world production of foodstuffs in 1948, assuming average weather conditions throughout the remainder of the growing and harvesting season, will be significantly greater than

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

in 1947 and should reach the equivalent of the annual average for the period 1935 -- 1939. Production on a per capita basis, however, will be somewhat below prewar levels. In the Marshall Plan countries of Western Europe, cereal grain production is expected to increase more than 11,000,000 metric tons, or 21% above the 1947 harvest. Considerable progress has been made in rehabilitating fishing fleets, particularly in Western Europe, which will result in larger fish catches in 1948 than in 1947.

Steel production should continue to expand in all countries in 1948, as compared with 1947, but worldwide requirements for steel will continue to exceed availabilities.

World coal production, although expected to be larger than in 1947, will fall short of requirements. Moreover, bottlenecks in transportation will interfere with coal movements in some areas.

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

- 21 -

The extraordinary post-war demand for petroleum will continue through 1948. Crude oil production is expected to increase by as much as 10%, but availabilities, while probably adequate for most essential purposes, will fall short of total requirements.

Rubber supplies during 1948 will be sufficient to meet world demand. Recovery of crude rubber production is rapidly reaching the stage where continuation of synthetic production in the United States remains important only from national security considerations. Fertilizer nitrogen will continue in short supply throughout the year, but new facilities, which are expected to come into production during the year, should meet world requirements for other basic chemicals.

There is little prospect, however, that world trade can shift from rigid controls to multilateralism during the coming year. Most countries of the world have little or no gold or hard currencies and will be forced to restrict

Approved For Release 2003/04/27 : CIA-RDP80R01731R001400150008-7

SECRET

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7

- 22 -

their imports to the amount of export earnings plus loans and gifts. The result will be smaller volume of US exports in 1948 as compared with 1947. The principal escape from an even greater degree of bilateralism lies in the possibility of increased US imports and the provision for off-shore purchases in the European recovery and other foreign aid programs.

(NOTE FOR THE DIRECTOR: In discussing the above economic developments, it is possible that we are leaving ourselves open to a request for tables of world supplies in each product and our estimate ~~all~~ ^{what} of the 1948 production will be. However, we can explain that we rely on other Government agencies, particularly State and Commerce, for these figures and in all probability the Committee already has the best estimates available).

Time may dictate the elimination of this economic material.)

SECRET

Approved For Release 2003/01/27 : CIA-RDP80R01731R001400150008-7